

# THE FINANCIAL SERVICES PRACTITIONER PANEL

25 The North Colonnade, Canary Wharf, London, E14 5HS  
Tel: 020 7066 100

Matthew Pike  
The Commission on Unclaimed Assets  
London Metropolitan University  
31 Jewry Street  
LONDON EC3N 2EY

30<sup>th</sup> November 2006

Dear Matthew

## **Consultation Paper: A Social Investment Bank**

The Financial Services Practitioner Panel (the Panel) has had the opportunity to consider The Commission on Unclaimed Assets Consultation Paper – A Social Investment Bank.

For the record, the Panel was established in November 1998, comprising senior figures from a cross-section of the financial services industry, to provide a high-level body available for consultation on policy by the Financial Services Authority (FSA) and which is able to communicate to the FSA views and concerns of the regulated industries. It has a statutory basis under Section 9 of FSMA. The Panel has 15 members who are chosen to represent all sectors of the financial services industry. Members of the Panel are appointed by the FSA, normally based on a recommendation by the Panel Chairman following canvassing of the relevant trade associations. The appointment of the Panel Chairman is also approved by HM Treasury.

The only question we wish to respond to on the CP is **7 – Any other feedback?** You will find below a summary of our concerns and some suggestions.

The Panel agrees that unclaimed assets or so called dormant assets held in banks and building societies provide an excellent opportunity to support the third sector in addressing social needs in the UK. We note that much needs to be done to reconnect disadvantaged and marginalised communities with enterprise and wealth creation and that the creation of a Social Investment Bank would be an ideal vehicle to achieve this. The Panel agrees that the release of unclaimed assets should be focused on engaging young people, financial education and inclusion and community regeneration.

The Panel strongly believes that financial education should form a key component of the Social Investment Bank's strategy to reconnect disadvantaged and marginalised communities. A recent survey by the FSA of over 5,300 adults of all age groups to create a comprehensive picture of financial capability in the UK paints a stark picture. The survey found the following.

- Many people are failing to plan ahead adequately for retirement or for an unexpected expense or drop in income.

- Although only a small proportion of the population is experiencing problems with debt, they are often very severely affected.
- People do not take adequate steps to choose products to meet their needs.
- The under-40s, in particular, the 18-30 age group are less capable on average than their elders.
- Many people could be tipped into financial difficulties by a small change in their circumstances.
- Many people are taking on inappropriate risks and not shopping around to get a good deal.
- The greatest demands are placed on those least equipped to deal with them.
- Unless action is taken, the UK population will store up problems for the future.

It is especially concerning that financial capability is weakest among younger age groups, even allowing for their relative inexperience in dealing with financial institutions. Demographic and other factors place greater demands on them, but they are less able to meet them. In particular, the lack of financial capability in planning ahead is storing up potential problems.

The Panel is very supportive of the FSA's National Strategy for Financial Capability. The FSA's seven point programme is designed to lift financial capability across the UK population over time. This includes personal financial education reaching further into UK schools, higher education institutions, organisations that help young and often excluded adults, the workplace, guidance for new parents, and the development of on-line tools and consumer communications.

The Panel notes the limitations of the FSA's current funding strategy and the need to increase funding to £20m per annum from 2007 to 2010. The FSA has suggested that this additional funding might be collected via the annual regulatory levy payable by firms. Some regulated firms are already involved in providing voluntary funding for specific projects in respect of FSA's Financial Capability strategy, while other regulated firms as part of good corporate governance are involved in supporting worthy charitable causes.

While the financial services community will play its part in providing for the financial education of our citizens, we strongly believe that the Social Investment Bank would play a more authoritative, influential and pivotal role through the allocation of some dormant or unclaimed assets for this purpose. We are aware that there is a significant sum of money in unclaimed assets held in bank and building society accounts, which could be increased by the unclaimed assets of other financial institutions such as National Savings. After all there is no reason why National Savings should be excluded as a contributor to the financial education and other work of the Social Investment Bank.

In summary, the Panel is fully supportive of the use of unclaimed assets to support the third sector in addressing social needs in the UK but urges the Commission to use some of these assets to pay for the financial education of our citizens. **This could be done by allocating funds directly to the FSA's Financial Capability strategy.** Our understanding is that the government's ten year strategy for Financial Capability will be complimentary to the FSA's strategy. I had an informal conversation with John McFall of the Treasury Select Committee (to whom I will send a copy of this letter), who was open to the idea that this would indeed be a legitimate and valid option for the use of these funds subject, of course, to the FSA making a prudent business case to HMT and the Social Investment Bank.

If you have any questions concerning this response, please contact Sunil Modak in the Secretariat on 020 70662204, E-mail: [sunil.modak@fsa.gov.uk](mailto:sunil.modak@fsa.gov.uk)

Yours sincerely

A handwritten signature in black ink, appearing to read "Roy Leighton". The signature is written in a cursive style with a large initial "R" and "L".

Roy Leighton  
Chairman  
Financial Services Practitioner Panel

CC: John McFall, Chairman Treasury Select Committee